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**NAGLE APARTMENTS CORP.**

Financial Statements and  
Supplementary Information for the  
Years Ended December 31, 2009 and 2008

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Prisand, Mellina, Unterlack & Co., LLP  
Certified Public Accountants

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# **NAGLE APARTMENTS CORP.**

## **TABLE OF CONTENTS**

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Independent Auditor's Report	1
Financial Statements:	
Balance Sheets	2
Supporting Schedules - Balance Sheets	4
Statements of Operations	5
Supporting Schedules - Statements of Operations	6
Statements of Changes in Stockholders' Equity	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary and Prospective Information:	17
Accountant's Report on Supplementary and Prospective Information	18
Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast	19
Summary of Significant Accounting Policies and Forecast Assumptions	20



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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors and Stockholders  
NAGLE APARTMENTS CORP.  
31 and 37 Nagle Avenue  
14 Bogardus Place  
New York, NY 10040

We have audited the accompanying balance sheet (with supporting schedules) of NAGLE APARTMENTS CORP. as of December 31, 2009, and the related statements of operations (with supporting schedules), changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of NAGLE APARTMENTS CORP. as of December 31, 2008, were audited by other auditors whose report dated March 27, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAGLE APARTMENTS CORP. as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Corporation has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information on future major repairs and replacements that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

*Prisand, Mellina, Unterlack & Co., LLP*

April 30, 2010

**NAGLE APARTMENTS CORP.**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,433	\$ 41,435
Reserve fund (Note 3)	337,846	479,460
Accounts receivable	87,124	41,378
Prepaid expenses	186,796	68,670
Escrows and voluntary escrows	175,997	207,115
	<u>794,196</u>	<u>838,058</u>
<b>Total Current Assets</b>		
	<u>794,196</u>	<u>838,058</u>
 <b>Property and Improvements: (Notes 2 and 5)</b>		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	2,438,711	2,307,732
	<u>4,551,711</u>	<u>4,420,732</u>
<b>Total</b>		
	<u>4,551,711</u>	<u>4,420,732</u>
<b>Less: Accumulated depreciation</b>		
	<u>2,001,130</u>	<u>1,858,340</u>
	<u>2,550,581</u>	<u>2,562,392</u>
<b>Net Property and Improvements</b>		
	<u>2,550,581</u>	<u>2,562,392</u>
 <b>Other Assets and Deferred Charges:</b>		
Cash - security deposits	37,260	37,206
Notes receivable (Note 6)	-	3,538
Deferred treasury stock costs (Note 8)	75,885	13,479
Deferred mortgage and loan closing costs (Note 2)	62,757	69,335
Deferred leasing costs (Note 2)	35,866	43,039
	<u>211,768</u>	<u>166,597</u>
<b>Total Other Assets and Deferred Charges</b>		
	<u>211,768</u>	<u>166,597</u>
 <b>Total Assets</b>		
	<u>\$ 3,556,545</u>	<u>\$ 3,567,047</u>

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.**  
**BALANCE SHEETS**  
**AS OF DECEMBER 31,**

	<b>2009</b>	<b>2008</b>
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Mortgage payable - current portion (Note 7)	\$ 105,498	\$ 99,102
First loan payable - current portion (Note 7)	55,083	54,535
Second loan payable - current portion (Note 7)	49,253	44,009
Accounts payable	72,416	63,241
Due to stockholders - real estate tax abatements	54,300	17,534
Accrued mortgage interest	14,731	15,570
Accrued wages and payroll taxes	1,926	673
Advance maintenance	824	1,603
Accrued real estate tax	-	1,656
	<hr/>	<hr/>
Total Current Liabilities	354,031	297,923
	<hr/>	<hr/>
<b>Long-Term and Other Liabilities:</b>		
Mortgage payable - net of current portion (Note 7)	2,042,805	2,148,303
First loan payable - net of current portion (Note 7)	401,390	456,472
Second loan payable - net of current portion (Note 7)	427,558	500,153
Security deposits payable	37,260	37,206
	<hr/>	<hr/>
Total Long-Term and Other Liabilities	2,909,013	3,142,134
	<hr/>	<hr/>
Total Liabilities	3,263,044	3,440,057
	<hr/>	<hr/>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock - \$1.00 par value, 15,000 shares authorized, 12,120 shares issued	12,120	12,120
Paid-in capital in excess of par value	175,880	175,880
Paid in capital from treasury stock	1,174,144	937,289
Accumulated deficit	(970,506)	(910,208)
Less: Treasury stock at cost (Note 8)	(96,605)	(104,885)
Unrealized (loss) gain on investments (Note 15)	(1,532)	16,794
	<hr/>	<hr/>
Total Stockholders' Equity	293,501	126,990
	<hr/>	<hr/>
Total Liabilities and Stockholders' Equity	\$ 3,556,545	\$ 3,567,047
	<hr/>	<hr/>

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.**  
**SUPPORTING SCHEDULES - BALANCE SHEETS**  
**AS OF DECEMBER 31,**

	<b>2009</b>	<b>2008</b>
	<hr/>	<hr/>
<b>Accounts Receivable:</b>		
Maintenance - Shareholders (Note 2)	\$ 69,329	\$ 27,125
Electricity submetering (billed in subsequent year)	12,476	10,826
Laundry income	1,789	1,863
Rents receivable	3,530	-
Due from vendors	-	1,564
	<hr/>	<hr/>
Total Accounts Receivable	\$ 87,124	\$ 41,378
	<hr/> <hr/>	<hr/> <hr/>
 <b>Prepaid Expenses:</b>		
Real estate tax	\$ 109,662	\$ -
Water and sewer charges	40,574	34,156
Insurance	32,208	33,879
Fuel inventory	2,852	-
Corporation taxes	1,500	635
	<hr/>	<hr/>
Total Prepaid Expenses	\$ 186,796	\$ 68,670
	<hr/> <hr/>	<hr/> <hr/>
 <b>Escrows and Voluntary Escrows:</b>		
Mortgage reserve fund (Note 7)	\$ 81,682	\$ 83,760
Water and sewer - self escrow	52,840	49,659
Insurance - self escrow	41,475	37,297
Mortgage escrow (Note 4)	-	36,399
	<hr/>	<hr/>
Total Escrows and Voluntary Escrows	\$ 175,997	\$ 207,115
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31,**

	<b>2009</b>	<b>2008</b>
<b>REVENUE</b>		
Maintenance - Shareholders	\$ 790,977	\$ 754,250
Garage income (Note 9)	128,397	118,238
Electricity submetering	60,129	65,079
Rental income	54,873	58,199
Stockholders' parking	28,074	27,800
Sublet, late and other fees	23,782	45,718
Laundry income	20,860	18,653
Interest and dividends	12,491	26,639
	<hr/>	<hr/>
Total Revenue	1,119,583	1,114,576
	<hr/>	<hr/>
<b>COST OF OPERATIONS</b>		
Administrative expenses	70,970	78,621
Operating expenses	466,489	474,390
Repairs and maintenance	107,561	84,880
Taxes	214,992	182,173
Mortgage interest (Note 7)	137,579	143,618
Loan interest (Note 7)	43,918	47,584
	<hr/>	<hr/>
Total Cost Of Operations	1,041,509	1,011,266
	<hr/>	<hr/>
<b>Income before special items and depreciation and amortization</b>	78,074	103,310
Realized gain on sale of investments	18,169	39,377
Adjustment of prior years' water and sewer expense	-	6,765
	<hr/>	<hr/>
<b>INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	96,243	149,452
Less: Depreciation and amortization	156,541	128,779
	<hr/>	<hr/>
Net (Loss) Income For The Year	\$ (60,298)	\$ 20,673
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.**  
**SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
<b>Administrative Expenses:</b>		
Management fee	\$ 43,000	\$ 43,000
Professional fees	18,064	21,951
Other administrative	7,080	10,910
Telephone and communications	2,826	2,760
	<u>          </u>	<u>          </u>
Total Administrative Expenses	<u>\$ 70,970</u>	<u>\$ 78,621</u>
	<u>          </u>	<u>          </u>
<b>Operating Expenses:</b>		
Utilities		
Gas heat and fuel	\$ 100,710	\$ 120,997
Water and sewer	76,221	66,793
Electricity and gas	71,346	80,142
	<u>          </u>	<u>          </u>
	248,277	267,932
	<u>          </u>	<u>          </u>
Payroll		
Wages	127,816	107,516
Payroll taxes	10,655	8,860
Union benefits (Note 10)	10,170	15,161
Workers' compensation and disability insurance	3,181	7,509
	<u>          </u>	<u>          </u>
	151,822	139,046
	<u>          </u>	<u>          </u>
Other		
Insurance	37,121	39,773
Laundry contract	20,054	19,631
Submetering billing service	5,295	4,848
Miscellaneous operating and permits	3,920	3,160
	<u>          </u>	<u>          </u>
	66,390	67,412
	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>\$ 466,489</u>	<u>\$ 474,390</u>
	<u>          </u>	<u>          </u>

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.**  
**SUPPORTING SCHEDULES - STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
<b>Repairs and Maintenance:</b>		
Painting, plastering and flooring	\$ 30,248	\$ 17,259
Elevator maintenance and repairs	18,929	17,615
Materials and supplies	15,062	18,864
Grounds and landscaping	9,838	350
Boiler, heating and water treatment	6,686	4,020
Plumbing	6,459	4,506
Equipment repairs	6,336	8,118
Exterminating	4,576	3,862
Metal maintenance	4,064	-
Miscellaneous repairs	2,354	2,089
Doors, locks, and windows	1,613	5,467
Electrical and intercom repairs	1,396	2,730
	<u>107,561</u>	<u>84,880</u>
<b>Total Repairs and Maintenance</b>	<u>\$ 107,561</u>	<u>\$ 84,880</u>
 <b>Taxes:</b>		
New York City real estate tax (Note 11)	\$ 213,336	\$ 180,621
Corporation taxes (Note 12)	1,656	1,552
	<u>214,992</u>	<u>182,173</u>
<b>Total Taxes</b>	<u>\$ 214,992</u>	<u>\$ 182,173</u>
 <b>Depreciation and Amortization:</b>		
Building	\$ 51,316	\$ 51,316
Building improvements	81,419	50,983
Building equipment	10,055	10,055
Amortization of deferred leasing costs	7,173	7,173
Amortization of deferred mortgage and loan closing costs	6,578	9,252
	<u>156,541</u>	<u>128,779</u>
<b>Total Depreciation and Amortization</b>	<u>\$ 156,541</u>	<u>\$ 128,779</u>

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2009</u>	<u>2008</u>
<b>COMMON STOCK</b>		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	-	-
	<u>12,120</u>	<u>12,120</u>
Balance - December 31,	<u>\$ 12,120</u>	<u>\$ 12,120</u>
<b>PAID-IN CAPITAL IN EXCESS OF PAR VALUE</b>		
Balance - January 1,	\$ 175,880	\$ 175,880
Transactions during the year	-	-
	<u>175,880</u>	<u>175,880</u>
Balance - December 31,	<u>\$ 175,880</u>	<u>\$ 175,880</u>
<b>PAID-IN CAPITAL FROM TREASURY STOCK</b>		
Balance - January 1,	\$ 937,289	\$ 675,772
Sale of 105 and 135 shares of treasury stock in excess of allocated costs	236,855	261,517
	<u>1,174,144</u>	<u>937,289</u>
Balance - December 31,	<u>\$ 1,174,144</u>	<u>\$ 937,289</u>
<b>ACCUMULATED DEFICIT</b>		
Balance - January 1,	\$ (910,208)	\$ (930,881)
Net (loss) income for the year	(60,298)	20,673
	<u>(970,506)</u>	<u>(910,208)</u>
Balance - December 31	<u>\$ (970,506)</u>	<u>\$ (910,208)</u>
<b>TREASURY STOCK</b>		
Balance - January 1, (1,330 and 1,465 shares)	\$ (104,885)	\$ (115,531)
Sale of 105 and 135 shares at allocated cost	8,280	10,646
	<u>(96,605)</u>	<u>(104,885)</u>
Balance - December 31, (1,225 and 1,330 shares)	<u>\$ (96,605)</u>	<u>\$ (104,885)</u>
<b>UNREALIZED (LOSS) GAIN ON INVESTMENTS</b>		
Balance - January 1,	\$ 16,794	\$ -
Unrealized (loss) gain on investments	(18,326)	16,794
	<u>(1,532)</u>	<u>16,794</u>
Balance - December 31,	<u>\$ (1,532)</u>	<u>\$ 16,794</u>

The accompanying notes are an integral part of this statement.

**NAGLE APARTMENTS CORP.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,**

	<b>2009</b>	<b>2008</b>
	<hr/>	<hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss) income for the year	\$ (60,298)	\$ 20,673
	<hr/>	<hr/>
<b>Adjustments to reconcile net (loss) income to cash provided by operating activities:</b>		
Depreciation and amortization	156,541	128,779
(Increase) decrease in accounts receivable	(45,746)	9,812
(Increase) decrease in prepaid expenses	(118,126)	49,086
Decrease (increase) in cash portion of escrows	31,118	(41,738)
Increase in accounts payable	9,175	15,931
Increase (decrease) in other current liabilities	34,745	(15,900)
	<hr/>	<hr/>
Total Adjustments	67,707	145,970
	<hr/>	<hr/>
Cash Provided By Operating Activities	7,409	166,643
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in cash portion of reserve fund	141,614	579,640
(Increase) in building improvements	(130,979)	(847,575)
Decrease in notes receivable	3,538	5,020
	<hr/>	<hr/>
Cash Provided (Used) By Investing Activities	14,173	(262,915)
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amortization of loans payable	(121,885)	(94,831)
Amortization of mortgage payable	(99,102)	(93,094)
Proceeds from sale of treasury stock	245,135	272,163
(Increase) decrease in deferred treasury stock costs	(80,732)	3,336
	<hr/>	<hr/>
Cash (Used) Provided By Financing Activities	(56,584)	87,574
	<hr/>	<hr/>
Net (decrease) in cash and cash equivalents	(35,002)	(8,698)
Cash and cash equivalents - January 1,	41,435	50,133
	<hr/>	<hr/>
Cash and Cash Equivalents - December 31,	\$ 6,433	\$ 41,435
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**SUPPLEMENTAL DISCLOSURES - SEE NOTE 15**

The accompanying notes are an integral part of this statement.

## **NAGLE APARTMENTS CORP.**

### **Notes to Financial Statements**

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#### **Note 1 - ORGANIZATION**

On May 20, 1980, Nagle Apartments Corp. (the "Corporation") was formed in order to acquire the property at 31 Nagle Avenue, 37 Nagle Avenue and 14 Bogardus Place, New York, New York. The Corporation acquired the land and building on August 3, 1982. It is a qualified Cooperative Housing Corporation under Section 216(b)(1) of the Internal Revenue Code and contains 111 residential units and 2 superintendent's apartments. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

#### **Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Presentation and Use of Estimates**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

##### **Property and Improvements**

Property and improvements are stated at cost. The building is depreciated on the straight-line method over an estimated life of thirty-five years. Building improvements are depreciated on the straight-line method over estimated lives of five to twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

##### **Revenue Recognition/Accounts Receivable**

Stockholder maintenance is based on an annual budget determined by the Board of Directors. Stockholders are billed monthly based on their respective share ownership. This income is recognized when due and payable. Any excess maintenance charges at year-end are retained by the Corporation for use in future years or to replenish its reserve fund. Stockholder accounts receivable at the balance sheet date represent maintenance and fees due from unit-owners. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of tenant-stockholders whose maintenance charges are unreasonably delinquent. The Corporation considers all accounts receivable at December 31, 2009 to be collectible. Accordingly, no allowance for doubtful accounts is required. As of April 30, 2010 the outstanding balance of the shareholder arrears was approximately \$31,000.

##### **Deferred Expenses**

Mortgage and loan closing costs are deferred and then amortized over the life of the obligation the straight-line basis. Costs associated with the garage lease are deferred and then amortized over the term of the lease.

##### **Statement of Cash Flows**

Cash and cash equivalents are stated at cost which approximates fair value. The Corporation considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

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### Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds in advance of actual need to finance estimated future major repairs and replacements. The Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required. When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or borrow, increase maintenance, impose assessments, utilize proceeds from treasury stock apartment sales, or delay repairs and replacements until funds are available.

### Note 3 - RESERVE FUND

The following cash transactions have taken place in the Corporation's reserve fund:

	<u>2009</u>	<u>2008</u>
Balance - January 1,	\$ 466,951	\$ 1,046,591
Add: Proceeds from sale of treasury stock apartment	236,855	261,517
Repayment of loan used to prepay real estate taxes	71,250	-
Transfers from operations	58,452	-
Realized gain on sale of investments	13,725	30,283
Interest and dividends - net of service charges	8,933	25,557
Less: Transfers to operations	( 232,196)	( 754,583)
Loan payments	( 166,124)	( 142,414)
Loan to operations to prepay real estate taxes	( 120,000)	-
Balance - December 31,	<u>\$ 337,846</u>	<u>\$ 466,951</u>

Reserve funds are stated at fair value and are invested as follows:

Vanguard Funds	\$ 338,705	\$ 466,477
Hudson Valley Bank - Money Market Account	<u>474</u>	<u>474</u>
Total	339,179	466,951
Add: Unrealized (loss) gain on investments	( 1,333)	<u>12,509</u>
Total	<u>\$ 337,846</u>	<u>\$ 479,460</u>

### Note 4 - MORTGAGE ESCROW

The Corporation deposits a prorated monthly sum into an escrow account maintained by National Cooperative Bank ("NCB") for the payment of real estate tax. At December 31, 2009 and 2008, the mortgage escrow account had balances of \$0 and \$36,399, respectively. During 2009, the Corporation received permission from NCB to prepay its real estate taxes and take advantage of a discount offered by New York City.

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

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### Note 5 - PROPERTY AND IMPROVEMENTS

Building improvements and equipment were capitalized as follows:

	<u>2009</u>	<u>2008</u>
Window replacement project	\$ 78,276	\$ 770,669
Security cameras	21,703	-
Landscaping	12,800	13,555
Roof	10,000	-
Air conditioners	5,500	55,061
Storage lockers	2,700	-
Pumps	<u>-</u>	<u>8,290</u>
Total	<u>\$ 130,979</u>	<u>\$ 847,575</u>

### Note 6 - NOTES RECEIVABLE

In previous years, the Corporation sold shares of stock appurtenant to three treasury stock units, and financed notes receivable in the amount of \$162,806. During 2009 and 2008, principal payments of \$3,538 and \$5,020 were received. As of December 31, 2009 the notes have been satisfied.

### Note 7 - MORTGAGE AND LOANS PAYABLE

#### Mortgage Payable

The mortgage payable is held by National Cooperative Bank ("NCB") in the original principal amount of \$2,700,000. Loan terms require equal monthly installments of \$19,767, applied first to interest at the rate of 6.27% per annum with the balance as a reduction of principal based on a twenty year amortization schedule. The mortgage matures on May 1, 2023, at which time it will be fully amortized.

Mortgage payments due over the next five years are allocated as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 105,498	\$ 131,706	\$ 237,204
2011	112,306	124,898	237,204
2012	119,553	117,651	237,204
2013	127,268	109,936	237,204
2014	135,481	101,723	237,204

In connection with the First Mortgage, the Corporation is obligated to maintain general operating and replacement reserves in a combined amount equal to at least ten percent of the amount paid to the Corporation during the previous year by its tenant-shareholders pursuant to their proprietary leases. The required balance is approximately \$75,400. As of December 31, 2009 this escrow account had a balance of \$81,682.

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

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### Note 7 - MORTGAGE AND LOANS PAYABLE (continued)

#### Prepayment Terms

No prepayment is allowed prior to May 1, 2010. Thereafter, the loan may be prepaid in whole only, subject to a prepayment penalty in accordance with a yield maintenance formula as set forth in the loan documents. Prepayment in whole may be made without penalty during the ninety days preceding maturity.

#### Line of Credit

The Corporation also has a \$250,000 revolving line of credit with NCB. Terms of the credit line require interest only payments at the rate of 2% over NCB's base rate index. The credit line will mature at the earlier of May 1, 2023 or refinancing of the underlying first mortgage. As of December 31, 2009, no balance is outstanding.

#### Loans Payable

The Corporation has two unsecured loans with Amalgamated Bank in the total principal amount of \$1,150,000. The first loan, in an original principal amount of \$565,000, requires monthly payments of \$4,950 applied first to interest at a rate of 1% per annum with the balance as a reduction of principal. This loan matures on December 1, 2017, at which time it will be fully amortized. The original interest rate of 7.5% has been subsidized by the New York State Energy Research and Development Authority for the installation of approved windows in the buildings.

Loan payments due over the next five years are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 55,083	\$ 4,313	\$ 59,396
2011	55,636	3,760	59,396
2012	56,195	3,201	59,396
2013	56,760	2,636	59,396
2014	57,330	2,066	59,396

The second loan, in an original principal amount of \$585,000, requires monthly payments of \$6,944 applied first to interest at a rate of 7.5% per annum with the balance as a reduction of principal. This loan matures on December 1, 2017, at which time it will be fully amortized. In any November during the term of the loan the Corporation may prepay \$23,400 without any penalties or fees. During November 2009, the Corporation elected to make this payment.

Loan payments due over the next five years are allocated as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 49,253	\$ 34,076	\$ 83,329
2011	53,077	30,252	83,329
2012	57,198	26,131	83,329
2013	61,638	21,691	83,329
2014	66,423	16,906	83,329

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

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### Note 8 - ACQUISITION AND SALE OF TREASURY STOCK AND SUBSEQUENT EVENT

The following schedule summarizes the acquisition and sales of treasury stock shares:

#### Acquisition:

	<u>Shares</u>	<u>Cost</u>
Through 2000	1,780	\$ 113,254
2002	<u>1,545</u>	<u>150,000</u>
	<u>3,325</u>	<u>\$ 263,254</u>

#### Sales:

	<u>Shares</u>	<u>Gross Sales Price</u>	<u>Selling/Closing Costs</u>	<u>Acquisition Costs</u>	<u>Gain on Sales</u>
1997-2004	1,605	\$ 602,500	\$ 62,840	\$ 125,061	\$ 414,599
2005	140	44,200	2,242	13,592	28,366
2006	115	265,000	23,124	9,069	232,807
2008	135	290,000	17,837	10,646	261,517
2009	<u>105</u>	<u>276,000</u>	<u>30,865</u>	<u>8,280</u>	<u>236,855</u>
	<u>2,100</u>	<u>\$ 1,477,700</u>	<u>\$ 136,908</u>	<u>\$ 166,648</u>	<u>\$ 1,174,144</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2009 and 2008, the Corporation held 1,225 and 1,330 shares of treasury stock appurtenant to 10 and 11 apartments. It is the Corporation's intention to sell additional treasury stock apartments. During 2009, the Corporation incurred \$75,885 of renovation costs on two of these units which have been deferred until each unit is ultimately sold. On April 23, 2010, the Corporation sold one of these units for a gross sales price of \$342,000. The proceeds from this sale will be used to replenish the reserves and establish a real estate tax self-escrow account with \$120,000. The Corporation anticipates selling the other unit during 2010.

### Note 9 - GARAGE LEASE

The Corporation, as lessor under the lease, will receive minimum base rents over each of the next five years as indicated below. Where the lease terms are uncertain due to future renewal negotiations or concessions, the rent is estimated at the last agreed-upon rate.

2010	\$ 156,121
2011	157,522
2012	158,937
2013	165,366
2014	165,366

The above rents will be reduced by the aggregate monthly charges billed to monthly resident parkers which are collected directly by the Corporation and are separately reported on the Statement of Operations. The lease also contains a real estate tax escalation clause allowing for possible additional rents.

### Note 10 - PENSION CONTRIBUTIONS

The Corporation makes contributions to a union sponsored multi-employer pension plan, based on the number of weeks worked by each employee covered under the union contract. Pension expense which is a component of union benefits was \$2,213 and \$3,405 for the years ended December 31, 2009 and 2008.

## NAGLE APARTMENTS CORP.

### Notes to Financial Statements

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#### Note 11 - REAL ESTATE TAX

New York City real estate taxes have been originally assessed as follows:

<u>Fiscal Year</u>	<u>Taxable Valuation</u>	<u>Tax Rate</u>	<u>Tax</u>
2006/07	\$ 1,685,700	12.737	\$ 214,708
2007/08	1,452,400	11.928	173,242
2008/09 (1 <sup>st</sup> half)	1,569,400	12.139	95,255
2008/09 (2 <sup>nd</sup> half)	1,569,400	13.053	102,427
2009/10	1,667,200	13.241	220,754

The Corporation routinely protests the taxable assessed valuation of its Property for real estate taxation purposes.

During 2008, the Corporation settled its protest for tax year 2008/09 and confirmed tax year 2007/08 resulting in current benefits of \$1,255 and future benefits of approximately \$10,500 due to reduced transitional assessed values. In connection with this settlement the Corporation incurred \$2,362 of legal fees. A protest is currently pending for tax year 2009/10.

#### Note 12 - CORPORATION TAXES

In accordance with ASC 740, *Income Taxes*, the Corporation is required to disclose and recognize any material tax provisions resulting from uncertain tax positions.

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, a Cooperative is required to classify its income and expenses as patronage or non-patronage sourced. Income is patronage sourced if it is derived from an activity that is so closely intertwined with the main cooperative effort that it may be characterized as directly related to, and inseparable from, the Cooperative's principal business activity, and thus facilitates the accomplishment of the Cooperative's business purpose. Income from non-patronage sources in excess of allocable expenses may be subject to tax. The Corporation believes that all of its income is effectively patronage sourced and if this position is subjected to examination and settlement by a taxing authority, there will not be a significant change in the Corporation's financial position or results of operations.

For the year ended December 31, 2009, the Corporation had a net loss for both financial reporting and income tax purposes. The Corporation has also incurred cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. It is believed that the Corporation will not benefit from any deferred tax benefits resulting from prior net operating losses, therefore, no deferred tax assets have been recognized.

New York State Franchise and New York City Corporation taxes are calculated by utilizing special tax rates available to cooperative housing corporations, based on the Corporation's capital base.

The Corporation's tax returns for all years since 2006 remain open to examination by the respective taxing authorities. There are currently no tax examinations in progress.

# NAGLE APARTMENTS CORP.

## Notes to Financial Statements

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### Note 13 - CONTINGENCIES

From time to time matters of litigation or claims may arise in the ordinary conduct of the Corporation's business. In the opinion of management, litigation or claims outstanding against the Corporation at December 31, 2009 are either without merit or the ultimate losses, if any, would not have a material adverse effect on the financial positions or results of operations of the Corporation.

### Note 14 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash in bank deposit accounts at financial institutions which, at times, may exceed federally insured limits and in money market funds that are not FDIC insured. The Corporation makes every effort to maintain its cash in FDIC insured accounts or government backed investments and has not experienced any losses in such accounts.

### Note 15 - STATEMENTS OF CASH FLOWS - SUPPLEMENTAL DISCLOSURES

	<u>2009</u>	<u>2008</u>
Interest paid	\$ 182,335	\$ 191,988
Income taxes paid (net of refunds)	2,251	1,634
<b>Non-Cash Transactions</b>		
Unrealized (loss) gain on reserve fund investments	( 1,333)	12,509
Unrealized (loss) gain on escrow investments	( 199)	4,285

### Note 16 - OTHER MATTERS

The Corporation has recorded the following portfolio activity:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 12,491	\$ 26,639
Realized gain on sale of investments	18,169	39,377
Unrealized (loss) gain on investments	( 1,532)	16,794
Total	<u>\$ 29,128</u>	<u>\$ 82,810</u>

The unrealized loss on investments listed above is expected to be realized in 2010 when the securities are sold.

### Note 17 - DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 30, 2010, the date that the financial statements were available to be issued.

**SUPPLEMENTARY AND PROSPECTIVE  
INFORMATION**



Norman Prisand, CPA  
Robert A. Mellina, CPA  
Evan J. Unterlack, CPA  
Jayson Prisand, CPA

**INDEPENDENT ACCOUNTANT'S REPORT  
ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION**

To The Board of Directors and Stockholders of  
NAGLE APARTMENTS CORP.

Our report on our audit of the basic financial statements of NAGLE APARTMENTS CORP. for 2009 appears on Page 1 and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The 2008 financial statements were audited by other auditors whose report dated March 27, 2009, expressed an unqualified opinion on those statements. The accompanying Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such 2009 information, except for the portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have compiled the accompanying budget forecast of NAGLE APARTMENTS CORP. for the year ending December 31, 2010, in accordance with guidelines established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecasted data information that is the representation of management and does not include evaluation of the support for the assumptions underlying the presentation. We have not examined the presentation and, accordingly, do not express an opinion or any other form of assurance on the accompanying presentation or assumptions. Furthermore, there will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Prisand, Mellina, Unterlack & Co., LLP*

April 30, 2010 for Historical Statements  
December 23, 2009 for Forecast

**NAGLE APARTMENTS CORP.**

**Comparative Schedule of Revenue and Expenditures - Budget, Historical and Forecast**

	For The Year		Prior Year	Next Year
	January 1, 2009 - December 31, 2009		January 1, 2008 -	January 1, 2010 -
	Budget (Unaudited)	Actual	December 31, 2008 Actual	December 31, 2010 Forecast (Unaudited)
<b>REVENUE</b>				
Maintenance - Shareholders (1)	\$ 797,200	\$ 790,977	\$ 754,250	\$ 800,100
Garage income	125,100	128,397	118,238	136,100
Electricity submetering	53,600	60,129	65,079	59,300
Rental income	54,200	54,873	58,199	52,000
Stockholders' parking	27,600	28,074	27,800	27,600
Sublet, late, repair and other fees	50,500	23,782	45,718	53,000
Laundry income	20,100	20,860	18,653	20,000
Interest and dividends	28,700	12,491	26,639	14,900
<b>TOTAL REVENUE</b>	<b>1,157,000</b>	<b>1,119,583</b>	<b>1,114,576</b>	<b>1,163,000</b>
<b>EXPENDITURES</b>				
Management fee	44,700	43,000	43,000	44,700
Professional fees	43,000	18,064	21,951	30,900
Other administrative and telephone	13,300	9,906	13,670	11,600
Gas heat and fuel	124,500	100,710	120,997	110,300
Water and sewer	91,900	76,221	66,793	89,000
Electricity and gas	80,000	71,346	80,142	72,300
Wages and related costs	130,500	151,822	139,046	159,300
Insurance	41,100	37,121	39,773	37,500
Laundry contract	20,500	20,054	19,631	20,400
Submetering billing service	5,700	5,295	4,848	4,900
Miscellaneous operating and permits	5,700	3,920	3,160	4,100
Repairs and maintenance	94,200	107,561	84,880	106,900
New York City real estate tax	202,600	213,336	180,621	230,300
Corporation taxes	2,400	1,656	1,552	2,900
Mortgage interest and amortization	237,200	236,681	236,712	237,200
<b>TOTAL EXPENDITURES</b>	<b>1,137,300</b>	<b>1,096,693</b>	<b>1,056,776</b>	<b>1,162,300</b>
Budgeted Surplus	<u>\$ 19,700</u>			<u>\$ 700</u>
<b>ACTUAL OPERATING INCOME</b>		22,890	57,800	
Mortgage amortization		99,102	93,094	
Realized gain on sale of investments		18,169	39,377	
Loan interest (2)		(43,918)	(47,584)	
Adjustment of prior years' water and sewer expense		-	6,765	
<b>INCOME BEFORE DEPRECIATION</b>		<u>\$ 96,243</u>	<u>\$ 149,452</u>	

(1) Maintenance has been increased to \$6.05 per share of stock, per month, from \$5.85 per share effective January 1, 2009.

(2) The loan payments of \$142,725 per year are being paid from reserves with funds generated by apartment sales.

See Accountant's Compilation Report and Summary of Significant Accounting Policies and Forecast Assumptions.

## **NAGLE APARTMENTS CORP.**

### **Summary of Significant Accounting Policies and Forecast Assumptions For The Year Ending December 31, 2010**

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The 2010 financial forecast was prepared by the Corporation's Finance Committee and the management company (collectively "Management") and approved by the Board of Directors. The financial forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the forecast period. Accordingly, the forecast reflects management's judgment, as of December 23, 2009, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The forecast has been prepared using generally accepted accounting principles that the Corporation expects to use when preparing its historical financial statements.

#### **FORECAST ASSUMPTIONS**

##### **Revenue**

Maintenance charges have been computed based on \$6.05 per share of stock, per month, which is consistent with the previous year. Garage and rental income are based upon current lease terms. Electricity submetering is based upon monthly consumption reports generated by an independent consultant. Laundry income is based upon a contract. Other fees and income are based upon historical experience or contracts.

##### **Expenses**

Payroll expenses and benefits are based upon a union contract and anticipated staffing requirements. Utilities are based upon rates set by the appropriate regulatory agencies. Gas heat and fuel reflects average consumption over several years and current market conditions for price. Real estate tax is computed based on the taxable assessed valuation times an estimated tax rate. An increase of approximately 7.95% has been anticipated for 2010. Debt service is based upon payments required by the Corporation's outstanding mortgage payable. Loan payments are not forecasted because they are paid from reserves generated by apartment sales. Repairs and maintenance are based upon historical experience and anticipated maintenance requirements. Insurance has been increased to reflect anticipated premiums. Other expenses are based upon historical experience or contracts.

##### **Income Tax**

The Corporation is subject to Federal income tax based on net income. The Corporation is also subject to New York State Franchise tax and New York City Corporation tax calculated at the higher of tax based on net income or capital.